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In the

Supreme Court of the United States.

OCTOBER TERM, 1941.

No. 75.

B. B. CHEMICAL CO.,
Petitioner,

v.

ELMER A. ELLIS
AND
MAGIC TAPE COMPANY,
Respondents.

BRIEF FOR RESPONDENTS.

ROBERT CUSHMAN,
JAMES R. HODDER,
WILLIAM GATES, JR.,
Attorneys for Respondents.

ROBERTS, CUSHMAN & WOODBERRY,
of Counsel for Respondents.

L. H. LANE COMPANY, LAW PRINTERS, 221 HIGH STREET, BOSTON, MASS.

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No. 75.

B.B. CHEMICAL CO., PETITIONER,

v.

ELMER A. ELLIS AND MAGIC TAPE COMPANY,
RESPONDENTS.

BRIEF FOR RESPONDENTS.

The decision of the Circuit Court of Appeals for the First Circuit herein is reported at 117 Fed. (2d) 829. The decision of the District Court is reported at 32 Fed. Supp. 690.

The case is before this Court pursuant to a writ of certiorari granted by this Court under authority conferred by Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

I. STATEMENT OF THE CASE.

This is a case for contributory infringement brought by the Petitioner on claim 4 of United States patent No. 1,830,428 (Ex. 1, R. 242; offered in evidence R. 49) in which the Respondents raised the defense that the Petitioner could not have relief because of its method of doing business. There is no counterclaim for affirmative relief under the Anti-Trust Laws, including the Clayton Act, which are therefore not involved.

The Petitioner is a wholly owned subsidiary of the United Shoe Machinery Corporation (R. 44). It does not exploit the patent in the usual way, as the Trial Court found (R. 33). It does not practice the patented method nor permit others to practice that method unless they buy the unpatented materials from it or its licensees. The Petitioner's entire profits are derived from and measured by the unpatented materials furnished by it or its licensees to the shoe manufacturers, and the Trial Court so found (R. 33).

The competitive conditions which actually control the sale of the unpatented materials for use in the patented method have been established by the practice of shoe manufacturers and the conduct of the Petitioner and its licensees.

The shoe manufacturers wish to obtain from some single source the precoated duck, adhesive and machines for applying the adhesive to the precoated duck preparatory to reinforcing leather insoles (R. 82). Many large shoe manufacturers prefer the Respondent Magic Tape Company as their single source (R. 154, Qs 90, 91).

The Petitioner adopted its course of business for the purpose of forcing the shoe manufacturers to buy all these materials from it or its licensees, for only those who buy such materials from the restricted sources have in fact been licensed to practice the patented process. The only unlicensed supplier, the Respondent Magic Tape Company, was sued on June 16, 1938 (see R. 1) within two months after the experimental period for testing its materials had expired and when only five machines had been supplied to three shoe manufacturers (R. 47). The Petitioner has in effect served notice on the trade by this course of business and this suit, that it proposes to derive its profit under the patent from the sale of such unpatented materials and that no licenses will be given to practice the process without restriction on the purchase of those materials.

Shortly after the issuance of the patent on November 3,

1931, Petitioner's predecessor in business licensed the Pepperell Manufacturing Company on January 19, 1932 (Ex. 2, R. 245-248; offered in evidence R. 49) and the H-B Products Company on April 15, 1932 (Ex. 3, R. 248-250; offered in evidence R. 50) to make and sell some of the unpatented materials. The restrictions in these licenses demonstrate the Petitioner's purpose from the beginning to secure for itself this business and to make its profits from the sale of the unpatented materials.

The Pepperell license was limited to the sale of non-solvent top coats (Articles 1 and 2, R. 245) and the H-B Products license to the sale of latex top coats (Articles 1 and 2, R. 248, 249). The Petitioner makes and sells top coats containing rubber solvents (R. 198). The prices at which H-B Products Company may sell latex top coats was fixed with reference to the price of Petitioner's top coat by Article 6 (R. 249, 250). No more apt clauses could be framed to secure the Petitioner in its business of selling solvent top coats and prevent price cutting by one of its licensees.

But this is not all. There are provisions protecting the licensees in their business of selling the unpatented materials. Infringers are to be prosecuted as a condition to royalty payments by Pepperell (Article 4, R. 246) and to prevent termination of the H-B Products license (Article 8, R. 250). Pepperell was further protected by an agreement not to license others on more favorable terms (Article 10, R. 247). H-B Products Company may have the benefit of better terms granted to other licensees (Article 9, R. 250). No more apt words could be used to show that the only other licenses in the contemplation of the parties were licenses to make the unpatented materials and sell them for use in the patented process. The comparative price structure set up in the H-B Products license could not possibly be maintained if shoemakers were licensed and left free to

buy the unpatented materials in a freely competitive market.

This method of doing business was not forced on the Petitioner by any alleged impracticability for shoemakers to operate the patented process under license. There was testimony by Petitioner's sales manager that the average small shoe factory would not take a license (R. 80, Q7) but he admitted that he did not know whether large makers would consider such a license (R. 82, XQs 14 and 15). In any event, the reasons given for his opinion as to small makers are trivial.

The Trial Court evidently did not believe the witness for it found ". . . I am not impressed with the suggestion that it would not be feasible to issue licenses to shoe manufacturers" (R. 34).

This fact finding was adopted in the opinion of the majority of the Circuit Court of Appeals:

> "It would be perfectly practicable for the Plaintiff to grant licenses for the use of its process at a yearly fee, or a royalty based on the number of yards of precoated duck or the number of gallons of top coat used, or any other suitable measure. In that way the Plaintiff can exploit the patent monopoly and only the patent monopoly while leaving the manufacturer free to buy the unpatented materials wherever it is to his best advantage to do so. Such an arrangement would cause little variation in the Plaintiff's method of doing business while effectively preventing the extension of a limited monopoly to unpatented materials." (R. 270.)

The Petitioner and its licensees do business in the same way (see Finding No. 12, R. 25; see also R. 271). They have determined the competitive conditions under which these goods must be sold. Machines are practically necessary to apply the top coat to the precoated duck. The Peti-

tioner and its licensees have such machines and they lease them to shoe factories (Finding No. 11, R. 25). These machines are easily adjusted and operated. However, in the opinion of the Petitioner it is better to have the machines adjusted by its employees to get proper results in the use of the unpatented materials which have been sold (R. 83, XQs 16-25).

Such services are merely incidental to the sales of the unpatented material. Such a course of business in rendering services in order to make sales does not put the Petitioner in the business of making insoles by the patented process. That business is and remains the business of the shoe factories by whose workmen, with whose materials for whose benefit and under whose control the insoles are made.

Petitioner is not in the intrastate business of making shoes in shoe factories including the reinforcing of insoles. It is engaged in the sale of unpatented goods in interstate commerce.

The Petitioner faintly suggests that it practices directly at least part of the process of the claim in suit by precoating and slitting the duck. Precoated and slitted duck is only one of the starting materials of the practice of the process and its manufacture is no more a part of that process than would be the tanning of the leather and the cutting of the insole, which is another of the starting materials for the process.

The Respondent Magic Tape Company was organized in December, 1929 (R. 155, XQ 102) and thereafter made adhesive tapes and specialty rubber compounds (R. 156, XQ 103). It did not begin the experimental development of its precoated duck and latex top coat for reinforcing insoles until January, 1938 (R. 107, Qs 1 and 2). The first commercial operation was on or about April 22, 1938 at the plant of the Commonwealth Shoe & Leather Company in Whitman, Massachusetts (R. 153, Qs 76-78). This busi-

ness was begun on the advice of counsel that the MAGIC Gemming process did not infringe the patent in suit (R. 158, XQs 131-133) which Respondent ELLIS had sold Petitioner ten years before.

The materials sold by the MAGIC TAPE COMPANY are not "specially designed and prepared" for use in the process of the patent. The latex top coat is a staple article as the Trial Court found,—"The defendants' latex adhesive is not manufactured by it exclusively for use in the patented process. It is a product manufactured by other concerns and bought and sold in the market" (R. 33).

The MAGIC TAPE COMPANY does business in the same way as the Petitioner and its licensees, including instructions to operators, servicing machines and the advice and assistance in the reinforcing operation (Stipulation, R. 48). The kind of service and assistance so generally referred to in the Stipulation is particularly shown in the testimony of Hawley. He installs machines, shows the operators how to work them, and checks on their operation from time to time; twice a week in factories near Brockton; about once every two weeks in Millis, Medford and Marlborough; sometimes twice a month in Maine (R. 134, 135, Qs 3-21). Particularly he took temperature readings of the latex top coats and adjusted the thermostats (R. 141, 142, Qs 65-73).

There is no evidence that any employee of the MAGIC TAPE COMPANY ever actually performed the process of the patent in suit in the plant of any of its customers.*

On the evidence the Trial Court concluded that: "The plaintiff is not entitled to maintain this suit for contributory infringement." In so doing the Trial Court neces-

*If there were such evidence it would not prove that the process was performed by the Magic Tape Company for the acts of its employee would be the act of the shoe manufacturer with whose materials for whose benefit and under whose control the work was being done, and not the acts of the general employer the Magic Tape Company. *Denton* v. *Yazoo M. V. R. Co.*, 284 U.S. 305.

sarily found that the MAGIC TAPE COMPANY did not itself actually perform the process. This fact finding was adopted in the majority opinion of the Circuit Court of Appeals (see R. 268).*

It is not clearly erroneous and may not be set aside. All fairly deducible inferences should be drawn in its support. *Lumbra* v. *United States*, 290 U.S. 551, at p. 553.

II. SUMMARY OF ARGUMENT.

(1) The rule of *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27 and *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458 should not be confined to the mere sale of unpatented materials.

(2) The *Motion Picture Patents Case*, 243 U.S. 502, the Carbice Case, supra, and the Leitch Case, supra, should not be overruled.

(3) The offer to grant licenses to shoe manufacturers to practice the process made by counsel for Petitioner on the appeal below should be disregarded.

(4) The rule of the Carbice and Leitch Cases does not apply only to the sale of staple materials nor only to actions of contributory infringement. On the facts found by the Trial Court these are moot questions in any event.

(5) The "Rule of Reason" of the Federal Anti-Trust Laws under the commerce clause of the Constitution cannot be read into the rule of the Motion Picture Patents,

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*Judge Magruder in his concurring opinion saw no reason to disturb or adopt this fact finding in view of his position that the doctrine of the Leitch Case gives immunity to the direct as well as to the contributory infringer (R. 272). The correctness of this opinion is not in issue under the facts of this case. His suggestion that ordinary principles of tort liability would make the Respondents liable as joint tort feasors is not a ruling on direct infringement. Such joint liability is the basis for the liability of a contributory infringer. *Thompson-Houston Elec. Co.* v. *Ohio Brass Co.*, 80 Fed. 712, at p. 721 (C.C.A. 6—Taft and Lurton Circuit Judges and Charles D. Clark District Judge).

Carbice and Leitch Cases, which are based on construction of the patent statute stemming from Sec. 8 of Article I of the Constitution.

III. ARGUMENT.

(1) The Rule of the Carbice and Leitch Cases Should Not be Confined to the Mere Sale of Unpatented Materials.

The Petitioner contends that the rule of *Leitch* v. *Barber*, 302 U.S. 458 should be confined to the specific facts shown therein involving the mere sale of unpatented materials without regard to the basis of the decision:

> "That the patent did not confer upon the Barber Company *the right to be free from competition in supplying unpatented material* to be used in practicing the invention was settled by the rule declared in the Carbice Case." (*Leitch Mfg. Co.* v. *Barber*, 302 U.S. 458, at p. 461.)

This particular contention is based on distinctions without differences and is an argument in vacuo ignoring the actual business conditions established by the Petitioner and its licensees for successful competition in the sale of these particular materials for use in reinforcing insoles. The trade demands precoated duck, adhesives and machines from a single source and prefers to have the machines serviced by the seller of the materials. Unless the Magic Tape Company were free to do this, it could not compete in the sale of these materials and the Petitioner and its licensees would in fact be free from competition.

The mere statement of the contention is enough to demolish it.

(2) The Motion Picture Patents, Carbice and Leitch Cases Should Not be Overruled.

The Petitioner contends that the decision under review is illogical

> (a) For the Petitioner would have had a limited monopoly of the unpatented materials for use in the process if it used the process itself;
>
> (b) It need not have used the patent at all, in which case there would be no question of limited monopoly;
>
> (c) The patentee has created a market for these materials for use in the patented process.

These arguments apply to specific notice restrictions prohibited by the *Motion Picture Patents Case*, 243 U.S. 502. They were in fact the arguments for the A. B. Dick Company in *Henry* v. *Dick*, 224 U.S. 1, at pp. 7-11. They are therefore arguments for overruling the Motion Picture Patents Case and all later cases following and applying it for reasons of public policy antithetic to the public policy declared by the Congress in the passage of the Clayton Act. The public policy is the same in either case and should be followed, whether the suit be under the rule of the Motion Picture Patents Case, based on necessary construction of the patent statute, or the rule of the Clayton Act, which defines in what situations and under what conditions a course of business that ignores the limits of the patent grant may also unduly restrain commerce.

In construing the patent statute in the Motion Picture Patents Case as prohibiting specific tying restrictions, the Court did not base its decision on the Anti-Trust Laws although it did in reaching that decision respect the public policy as declared in the Clayton Act. The Court said (243 U.S. at pp. 517, 518): "We are confirmed in the conclusion which we are announcing by the fact that since the decision

of *Henry* v. *Dick*, 224 U.S. 1, the Congress of the United States, the source of all rights under patents, as if in response to that decision, has enacted a law . . ." (Referring to what is now Sec. 14 of U.S. Code Title 15, being Sec. 3 of the Clayton Act.)

> "Our conclusion renders it unnecessary to make the application of this statute to the case at bar which the Circuit Court of Appeals made of it *but it must be accepted by us as a most persuasive expression of the public policy of our country with respect to the question before us.*"

Until changed, the Court should continue to follow this "most persuasive expression of the public policy of our country," in cases involving the facts of the Motion Picture Patent Case and those involving the equivalent method of doing business.

(3) The Offer to Grant Licenses to Shoe Manufacturers to Practice the Process Made by Petitioner on the Appeal Below Should be Disregarded.

For the first time on the appeal the Petitioner made, in the course of argument, a general and indefinite offer to give licenses to practice the patented process on a suitable royalty basis. Judge Magruder referred in his opinion to this offer (see R. 274). mentioned by the Petitioner in its Brief (p. 32).

It need not be further considered for

(a) The so-called offer was not made to the trade and was not definite enough to be an offer for a contract.

(b) Counsel has no authority during the course of an argument to make offers to persons not parties which will bind the principal on acceptance by the offerees.

(c) Any right to injunction in this case depends on what the Petitioner has in fact done not on what it now says informally in the course of argument that it might do in the future.*

(4) The Rule of the Carbice and Leitch Cases Does Not Apply Only to the Sale of Staple Materials Nor Only to Actions of Contributory Infringement. On the Facts Found by the Trial Court These are Moot Questions in Any Event.

(a) The Doctrine of the Carbice and Leitch Cases is not Limited to the Sale of Staple Materials.

This point is, however, a moot one in this case, for the Respondents' materials are not specially prepared, the latex top coat being an article bought and sold in the market generally (see Fact Finding by the Trial Court, R. 33). In any event the law makes no such distinction between staple articles and others. It makes no difference whether the attempt to enlarge the monopoly of a patent is concerned

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*See *Novadel-Agene Corp.* v. *Penn*, 119 F. (2d) 764. In this case the court found that the plaintiff changed its method of doing business after the filing of the suit when it sent out letters and advertised in trade journals that it would issue licenses without purchase from it of the product. These findings were supported by evidence in the record. The Circuit Court of Appeals for the Fifth Circuit remanded the case to the District Court to consider the evidence as to the effect of the discontinuance of the wrongful method of doing business. This case was followed by the District Court for the Northern District of Ohio in *Universal Sewer Pipe Corp.* v. *The General Construction Company* in which case counsel for the plaintiffs announced a change in the method of doing business during the progress of the trial as evidenced by letters and publication of a willingness to issue licenses under the patented process free of any obligation to buy the patentee's material. There was a decree for an injunction but the terms of the injunction are not given. As yet this case only appears in Volume 51 USPQ at pp. 127-130. Opinion dated September 26, 1941.

with staple materials, specially designed materials or even materials covered by other patents.

Ethyl Gasoline Corp. v. *United States*, 309 U.S. 436 at p. 459:

> "The patent monopoly of one invention may no more be enlarged for the exploitation of a monopoly of another . . . than for the exploitation of an unpatented article . . ."

Here the rule is clearly applied not only to articles that are not staple, i.e. specially designed articles, but articles that are actually patented by another patent.

See *Philad Co.* v. *Lechler Laboratories*, 107 F. (2d) 747 (C.C.A. 2).

The Lower Courts have also ruled that the Carbice and Leitch Cases apply to specially designed unpatented articles:

Alemite Corp. v. *Lubrair Corp.*, 62 F. (2d) 899 (C.C.A. 1st).

Autographic Register Co. v. *Sturgis Register Co.*, 110 F. (2d) 883 (C.C.A. 6th).

The only apparently contrary decision is that of the Ninth Circuit in

Johnson Co. v. *Philad Co.*, 96 F. (2d) 442.

The last cited case was treated as an ordinary contributory infringement case and it is not clear that the plaintiff's method of doing business was brought to the Court's attention. Compare *Philad Co.* v. *Lechler Laboratories*, *supra*.

Compare the analogous cases under the Clayton Act involving an express license with a tying clause.

International Business Machines Corp. v. *United States*, 298 U.S. 131, at pp. 138, 139.

Oxford Varnish Co. v. *Ault & Wiborg Corp.*, 83 F. (2d) 764 (C.C.A. 6th).

(b) The Carbice and Leitch Cases Apply to Actions of Direct Infringement.

The fact finding of the Trial Court that the Respondents do not perform the patented process makes this point a moot one.

However, the alleged conflict in the Lower Courts as to the application of the rule to cases of direct infringement is much exaggerated by the Petitioner. In those cases of contributory infringement cited the Courts held that the action was barred by the plaintiff's conduct, but they did not go farther and rule that only such actions would be barred.

The only cases in which the point arose directly were those involving direct infringement, and the uniform course of decision has been that the Leitch rule applies.

Third Circuit: *Barber Asphalt Corp.* v. *La Fera Grecco Contracting Co.*, 116 F. (2d) 211.

Fifth Circuit: *Novadel-Agene Corp.* v. *Penn*, 119 F. (2d) 764.

Seventh Circuit: *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207, cited with approval by this Court in the *Ethyl Gasoline Case*, 309 U.S. 436, at p. 459.

Ninth Circuit: *Dehydrators, Ltd.* v. *Petrolite Corp., Ltd.*, 117 F. (2d) 183.

If competition in supplying unpatented materials to be used in practicing a patented process is not to be interfered with under the patent laws, then the seller must be free to sell and the buyer must be free to buy without either being subject to an infringement suit. To hold otherwise would be a solemn farce (see opinion of Judge Magruder, R. 272).

(5) The "Rule of Reason" of the Federal Anti-Trust Laws Under the Commerce Clause of the Constitution Cannot be Read Into the Rule of the Motion Picture Patents, Carbice and Leitch Cases, which are Based on Construction of the Patent Statute Stemming from Sec. 8 of Article I of the Constitution.

The Petitioner contends that a patentee may restrain free competition in unpatented materials for use in a patented process and ignore the limitations in the patent grant if it is "reasonable" in his opinion so to do, or does not substantially lessen competition. It is not perceived by Respondents' counsel how such unilateral action by a patentee can enlarge the patent grant.

In so far as the argument is founded on the alleged practical necessity for doing business in this way because of the alleged mutual desire of the Petitioner and the shoe manufacturers not to operate under licenses, it is contrary to the express finding of the Trial Court (R. 34).

In so far as the argument is based on the fact that no request for license was ever made, it has become immaterial on the Petitioner's own admission. It is admitted in the Petitioner's Brief that such request is not necessary under the doctrine of the Leitch Case (Brief, p. 33). If the Leitch Case is applicable, and the Respondents say that it is, then there is no need for any request.*

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*It does not appear that any request was ever made by anybody to the petitioner in the Motion Picture Patents Case, 243 U.S. 502, to change its method of doing business. That omission had and could have no effect on the legal results. Similarly here in this case, which involves the equivalent method of doing business, it would not seem necessary as a basis for the defense to show that anybody has ever requested the Petitioner to change its method of doing business. Indeed it is difficult to say in either case why such a request would not be entirely a vain thing and a useless formality. The defense

This contention is unsound for the rule of the Carbice and Leitch Cases is not based on the Anti-Trust Laws which provide civil and criminal penalties for undue or unreasonable restraint of interstate commerce, but on the necessary construction of the patent act itself.

The Anti-Trust Laws are aimed at undue restrictions of competition or "unreasonable" restraints of trade in interstate commerce. The rule of the Carbice and Leitch Cases has no necessary connection with the extent or nature of restrictions in competition, whether unreasonable or not, whether in interstate or intrastate commerce. These cases merely declare, by construction of the patent statute, that a patentee may not by direct notice or its equivalent indirect method of doing business, ignore the limitations of the patent grant by securing any control over unpatented materials by a patent suit. A patentee may not use the patent laws in a patent suit to extend the limited monopoly of a patent beyond that patent to unpatented materials regardless of the extent or the actual effect of such extension on commerce whether interstate or intrastate.

Where the facts of the situation of the Carbice and Leitch Cases exist those cases bar a plaintiff whose business is wholly an intrastate one in a suit against a defendant whose business also is wholly intrastate.

There is an analogy between the attempt made in these cases and the use of a patent as an instrument for restraining commerce which was condemned under the Sherman Anti-Trust Law (283 U.S. at p. 34), but it is an analogy only. The underlying reasons for the decisions are differ-

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under the Leitch Case is concerned with the actual method in which the patent is being exploited by the plaintiff and not with what the plaintiff might do if the facts were different. The Petitioner is the "actor" in the situation. It is more pertinent to ask if any offer to give licenses has ever been made by the Petitioner than to ask if any request has ever been made by the trade.

ent, arising as they do under different statutes. The analogy between Anti-Trust Law cases and cases construing the patent statute cannot be pushed to the point of ignoring the fundamental distinction between them by reading into the Motion Picture, Carbice and Leitch Cases the principles of the Federal Anti-Trust Laws regulating interstate commerce.

It is true that a patentee may push his method of doing business, ignoring the limits of the patent grant, to the point where that method may also unreasonably restrain interstate commerce, as the Court pointed out in the footnote in 283 U.S. at p. 34. In this passage in the footnote the Court is not reading the limitations of the Anti-Trust Laws into the rule announced but merely pointing out that two results might happen under some circumstances. In cases where the method of business was pushed to the extent of unreasonable restraint of interstate trade, then there was added a liability under the Anti-Trust Laws to the disability to sue on the patent and secure the aid of the Court in doing indirectly what could not have been done directly under the Motion Picture Patents Case.

The origin of the rule in the Carbice and Leitch Cases is in the dissenting opinion in *Henry* v. *A. B. Dick*, 224 U.S. 1, at pp. 49-73. This case involved the alleged contributory infringement in the sale by the defendant of unpatented ink to a purchaser of the plaintiff's patented machine upon which was inscribed a notice reciting that the machine "may be used only with . . . ink . . . made by the A. B. Dick Company . . ." (at p. 26). The real question in that case was whether the notice bound the purchaser, for if the purchaser was not bound by the notice then there could be no direct infringement to which the respondent could have contributed by inducement or by aiding and abetting.

The ground of the dissent was put very clearly as one involving the construction of the patent statute and was

that a patentee by contract may not extend the scope of his patent (see particularly pp. 50, 53 and 70).

The decision in the Dick Case was overruled in the *Motion Picture Patents Case*, 243 U.S. 502—a suit brought against two contributory infringers and a direct infringer for selling and using, respectively, unpatented film with a patented projector which had been sold but upon which was a notice restricting the use. It was held that the bill should be dismissed.

The Court again based the decision on the construction of the patent statute:

Page 509:

> "The inquiry presented by this record, as we have stated it, is important and fundamental, and it requires that we shall determine the meaning of Congress when in Rev. Stats., Sec. 4884, it provided that 'Every patent shall contain . . . a grant to the patentee, his heirs or assigns, for the term of seventeen years, *of the exclusive right to* make, *use*, and vend *the invention or discovery* throughout the United States, and the Territories thereof.' "

And at pages 516 and 517:

> "The statutory authority to grant the exclusive right to 'use' a patented machine is not greater, indeed it is precisely the same, as the authority to grant the exclusive right to 'vend,' and, looking to that authority, [Bauer v. O'Donnell] for the reasons stated in this opinion we are convinced that the exclusive right granted in every patent must be limited to the invention described in the claims of the patent and that it is not competent for the owner of a patent by notice attached to its machine to, in effect, extend the scope of its patent monopoly by restricting the use of it to

materials necessary in its operation but which are no part of the patented invention, or to send its machines forth into the channels of trade of the country subject to conditions as to use or royalty to be paid to be imposed thereafter at the discretion of such patent owner. The patent law furnishes no warrant for such a practice and the cost, inconvenience and annoyance to the public which the opposite conclusion would occasion forbid it.

"It is argued as a merit of this system of sale under a license notice that the public is benefited by the sale of the machine at what is practically its cost and by the fact that the owner of the patent makes its entire profit from the sale of the supplies with which it is operated. This fact, if it be a fact, instead of commending, is the clearest possible condemnation of, the practice adopted, for it proves that under color of its patent the owner intends to and does derive its profit, not from the invention on which the law gives it a monopoly but from the unpatented supplies with which it is used and which are wholly without the scope of the patent monopoly, thus in effect extending the power to the owner of the patent to fix the price to the public of the unpatented supplies as effectively as he may fix the price on the patented machine. [Matter in brackets ours.]

The genesis of the doctrine is in the constitutional provision giving Congress power "to promote the progress of science and useful arts, by securing for limited times to . . . inventors the exclsive right to their . . . discoveries" (Constitution, Article I, Sec. 8). It does not give Congress the power to grant any dominion under the patent laws over things not within the invention.

The conclusion reached by the Court was confirmed by

the public policy expressed in the Clayton Act (243 U.S. at pp. 517 and 518), but the decision was based purely and simply on a construction of the patent laws, deriving no support whatever from the commerce clauses of the Constitution.

The Motion Picture Patents Case was enforced independently of the Anti-Trust Laws in the Carbice Case and by that case extended to a situation where the plaintiff adopted a method of doing business which was the practical equivalent of the practice condemned in the Motion Picture Patents Case. It was also made clear in the Leitch Case that the decision in the Carbice Case did not depend upon the presence or absence of a notice or agreement running with the article and restricting its use in the channels of trade. It was also made very clear that the prohibitions applied to any such indirect attempt, whether it involved a process, a product or an apparatus (302 U.S. at p. 463).

By the decision in the Carbice Case the law saved itself from the reproach of permitting the patentee to have the actual aid of the court in doing indirectly that which he could not do directly under the rule of the Motion Picture Patents Case.

This Court has not regarded the Carbice Case as based on the Anti-Trust Laws.

Standard Oil Co. v. *United States*, 283 U.S. 163, at p. 169:

> "Historically, patent grants were only narrow exceptions to the general public policy against monopolies which developed from the Case of Monopolies, Moore 671, 11 Co. 84, and culminated in the Statute of Monopolies, 21 Jac. I, c. 3, Secs. V-VI. . . . Even apart from the limitations of the Anti-Trust laws, the monopoly granted by the patent statute is not unrestricted in scope. Compare *Carbice Corp.* v. *American Patents Development Corp.*, *ante*, p. 27."

For the reasons so clearly given and consistently adhered to by this Court, it is clear that Anti-Trust Law limitations cannot be read into the doctrine. Therefore it makes no difference what kind of an action is being brought under the patent laws which, ignoring the limits of the patent grant, attempts to extend the limited monopoly of the patent by enjoining either the user or the seller of unpatented materials. Founded as the rule is on the limitations of the patent grant itself, the questions of practical necessity or the kind and extent of competition become quite beside the point. The patent grant remains the same to be determined by construction of the claims. To the extent of the claimed subject matter and to that extent only is there a limited patent monopoly protected under the patent laws.

CONCLUSION.

It is respectfully submitted that the Circuit Court of Appeals for the First Circuit was right in affirming the decree of the District Court in dismissing the Bill of Complaint for the reasons given.

ROBERT CUSHMAN,
JAMES R. HODDER,
WILLIAM GATES, JR.,
Attorneys for Respondents.

ROBERTS, CUSHMAN & WOODBERRY,
of Counsel for Respondents.

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